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San Diego Public Facilities Financing Authority, CA Lease Revenue Ballpark Bonds Rated 'A-'

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NEW YORK (Standard & Poor's) Dec. 19, 2008--Standard & Poor's Ratings Services assigned its 'A-' long-term rating, and positive outlook, to San Diego Public Facilities Financing Authority, Calif.'s \$156.56 million lease revenue refunding ballpark bonds, series 2007A, which were issued in March 2007 issued as a private placement with Bank of America.

Standard & Poor's also affirmed its 'A' long-term rating, and positive outlook, on the city's general obligation (GO) bonds and affirmed its 'A-' long-term rating, and positive outlook, on the city's existing lease revenue bonds and certificates of participation.

"The rating on the ballpark bonds reflects our view of the city's general credit characteristics and its covenant to budget and appropriate annual lease payments for the baseball stadium, which was completed in 2004," said Standard & Poor's credit analyst Sussan Corson.

The ratings also reflect our view of the city's general credit characteristics, which include a diversified economy that has exhibited growth in assessed valuation in the past several years; strong income and wealth indicators; good reserve levels and recent improvements in management practices; and a moderate overall net debt burden.

These strengths are mitigated in our opinion by San Diego's: recent economic declines, which we believe are likely to continue to negatively affect future sales and transit occupancy tax collections; continued identified weaknesses in internal financial controls; limited revenue-raising

flexibility and projected budgetary gaps in the next five years, which could require further cuts or revenue enhancements; and additional deferred maintenance needs and pension and other postemployment benefits liabilities.

"The positive outlook reflects our view of the city's ongoing enhancements to financial management practices and financial controls, as well as its apparent commitment to addressing all of its liabilities including funding its retirement benefit liabilities in an actuarially sound way," Ms. Corson added. The outlook remains positive despite a challenging economic context, which is contributing to a difficult revenue environment.

San Diego's population, at about 1.3 million in 2007, has grown an average of about 1% per year since the 2000 U.S. Census. The economy consists of a mix of various high-tech clusters, including biotech and telecommunications, combined with a reliance on tourism and the military and defense industries. The city's economic base is also anchored by higher education and major scientific research institutions, including the University of California, San Diego; San Diego State University; Scripps Research Institute; the Salk Institute for Biological Studies; and the San Diego Supercomputer Center.

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